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Message Text

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73-62
ACTION L-03

INFO OCT-01 ARA-16 ISO-00 SPC-03 SAM-01 AID-20 EB-11

NSC-10 RSC-01 CIEP-02 TRSE-00 SS-20 STR-08 OMB-01

CEA-02 CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07

OPIC-12 LAB-06 SIL-01 AGR-20 PA-04 PRS-01 USIA-15 H-03

DRC-01 /181 W
---------- 033712
R 252131Z FEB 74
FM AMEMBASSY TEGUCIGALPA
TO SECSTATE WASHDC 6398

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E.O. 11652: N/A
TAGS: EIND, EAGR, HO, US
SUBJECT: DECREE 103: THE 51 PERCENT HONDURAN OWNERSHIP RULE

1. THE EMBASSY UNDERSTANDS THAT SOME CONCERN HAS BEEN EXPRESSED CONCERNING THE 51 PERCENT HONDURAN OWNERSHIP RULE OF DECREE 103. THE RULE HAS PARTICULAR IMPORTANCE WHEN VIEWED IN THE CONTEXT OF THE GONZALEZ AMENDMENT. THE GENERAL MANAGER OF COHDEFOR, THE HONDURAN STATE FORESTRY COMPANY, HAS STATED TO ECOM OFFICERS AND TO AT LEAST ONE COMPANY THE INTENT OF THE HONDURAN GOVERNMENT NOT TO ENDORCE ANY SANCTIONS AGAINST U.S. COMPANIES WHICH HAVE MADE AN EFFORT TO DEVEST THEMSELVES OF 51 PERCENT OF THEIR CORPORATE OWNERSHIP TO HONDURAN CITIZENS SHOULD SUCH TRANSFER NOT HAVE OCCURRED BY DEC. 31, 1974.

2. IT HAS BEEN ALLEGED THAT THE 51 PERCENT RULE WAS DESIGNED TO FORCE FOREIGN INVESTORS TO DIVEST THEMSELVES AT A LOSS OF MAJORITY OWNERSHIP OF CORPORATE INVESTMENT IN HONDURAS IN THE FORESTRY AND LUMBER BUSINESS. BY STATING THAT THE GOVERNMENT WILL TAKE NO ACTION AGAINST COMPANIES
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WHICH HAVE NOT DIVESTED THEMSELVES OF 51 PERCENT AS PROVIDED FOR IN DECREE 103, REYES HAS SIGNIFICANTLY REDUCED THE

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CONTENTION.

3. WHILE THE ABOVE HAS PREVIOUSLY BEEN REPORTED BY THE EMBASSY IT WAS AGAIN CONFIRMED BY ECOM OFFICERS FEB. 25 IN CONVERSATION WITH REYES. THE SPECIFIC CONTEXT OF THE GONZALEZ AMENDMENT WAS BACKGROUND FOR THE QUESTION TO REYES. REYES RESPONDED THAT THIS INTENTION OF THE GOVERNMENT HAD BEEN MADE IN WRITING TO SICRE (VIKING OIL COMPANY) AND ORALLY TO SOME OTHERS.

4. COMMENT: WHILE THE ABOVE MAY BE FIRMLY ACCEPTED AS A CURRENT "RULE OF THE GAME" IT MAY BE THAT THE LEGAL ADVISERS OFFICE OF THE DEPARTMENT WOULD WISH TO EXAMINE DIRECTLY WITH THE APPROPRIATE HONDURAN OFFICIALS THE DEVELOPMENTS FOLLOWING FROM DECREE 103. THE EMBASSY IS INCLINED TO BELIEVE THAT SUCH A VISIT WOULD BE QUITE USEFUL PERHAPS IN THE TIME FRAME OF MAY OR JUNE WHEN A DEFINITE PATTERS OF GOVERNMENT RELATIONSHIP TO FOREIGN COMPANIES HAS BEEN PUT INTO EFFECT BY COHDEFOR.
SANCHEZ

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FORESTRY, LAW, LUMBER, NATIONALIZATION, INDUSTRY, INVESTORS, FOREIGN INVESTMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 25 FEB 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974TEGUCI00800
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: TEGUCIGALPA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740210/aaaaajkt.tel
Line Count: 81
Locator: TEXT ON-LINE
Office: ACTION L
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by boyleja>; APPROVED <18-Sep-2002 by MorefiRH>
Review Markings:

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US Department of State
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30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DECREE 103: THE 51 PERCENT HONDURAN OWNERSHIP RULE
TAGS: EIND, EAGR, HO, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005

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